

Remarks on the National Economy

February 4, 2009

Thank you, Tim, for your hard work on this issue and on the economic recovery.

The economic crisis we face is unlike any we've seen in our lifetime. It's a crisis of falling confidence and rising debt, of widely distributed risk and narrowly concentrated reward, a crisis written in the fine print of subprime mortgages, on the ledger lines of once mighty financial institutions, and on the pink slips that have upended the lives of so many people across this country and cost the economy 2.6 million jobs last year alone.

We know that even if we do everything that we should, this crisis was years in the making, and it will take more than weeks or months to turn things around.

But make no mistake: A failure to act, and act now, will turn crisis into a catastrophe and guarantee a longer recession, a less robust recovery, and a more uncertain future. Millions more jobs will be lost. More businesses will be shuttered. More dreams will be deferred.

And that's why I feel such a sense of urgency about the economic recovery and reinvestment plan that is before Congress today. With it, we can save or create more than 3 million jobs, doing things that will strengthen our country for years to come. It's not merely a prescription for short-term spending, it's a strategy for long-term economic growth in areas like renewable energy and health care and education.

Now, in the past few days, I've heard criticisms that this plan is somehow wanting, and these criticisms echo the very same failed economic theories that led us into this crisis in the first place: the notion that tax cuts alone will solve all our problems; that we can ignore fundamental challenges like energy independence and the high cost of health care; that we can somehow deal with this in a piecemeal fashion and still expect our economy and our country to thrive.

I reject those theories, and so did the American people when they went to the polls in November and voted resoundingly for change. So I urge Members of Congress to act without delay. No plan is perfect, and we should work to make it stronger. No one is more committed to making it stronger than me. But let's not make the perfect the enemy of the essential. Let's show people all over the country who are looking for leadership in this difficult time that we are equal to the task.

At the same time, we know that this recovery and reinvestment plan is only the first part of what we need to do to restore prosperity and secure our future. We also need a strong and viable financial system to keep credit flowing to businesses and families alike. And my administration will do whatever it takes to restore our financial system. Our recovery depends on it. And so in the next week, Secretary Geithner will release a new strategy to get credit moving again, a strategy that will reflect some of the lessons of past mistakes while laying the foundation of the future.

But in order to restore trust in our financial system, we're going to have to do more than just put forward our plans. In order to restore trust, we've got to make certain that taxpayer funds are not subsidizing excessive compensation packages on Wall Street.

We all need to take responsibility. And this includes executives at major financial firms who turned to the American people, hat in hand, when they were in trouble, even as they paid themselves customary, lavish bonuses. As I said last week, this is the height of irresponsibility; it's shameful. And that's exactly the kind of disregard of the costs and consequences of their actions that brought about this crisis: a culture of narrow self-interest and short-term gain at the expense of everything else.

This is America. We don't disparage wealth. We don't begrudge anybody for achieving success. And we certainly believe that success should be rewarded. But what gets people upset, and rightfully so, are executives being rewarded for failure, especially when those rewards are subsidized by U.S. taxpayers, many of whom are having a tough time themselves.

For top executives to award themselves these kinds of compensation packages in the midst of this economic crisis isn't just bad taste, it's bad strategy, and I will not tolerate it as President. We're going to be demanding some restraint in exchange for Federal aid, so that when firms seek new Federal dollars, we won't find them up to the same old tricks.

As part of the reforms we're announcing today, top executives at firms receiving extraordinary help from U.S. taxpayers will have their compensation capped at \$500,000, a fraction of the salaries that have been reported recently. And if these executives receive any additional compensation, it will come in the form of stock that can't be paid up until taxpayers are paid back for their assistance.

Companies receiving Federal aid are going to have to disclose publicly all the perks and luxuries bestowed upon senior executives and provide an explanation to the taxpayers and to shareholders as to why these expenses are justified. And we're putting a stop to these kinds of massive severance packages we've all read about with disgust; we're taking the air out of golden parachutes.

We're asking these firms to take responsibility, to recognize the nature of this crisis and their role in it. We believe that what we've laid out should be viewed as fair and embraced as basic common sense.

And finally, these guidelines we're putting in place are only the beginning of a long-term effort. We're going to examine the ways in which the means and manner of executive compensation have contributed to a reckless culture and a quarter-by-quarter mentality that in turn helped to wreak havoc in our financial system. We're going to be taking a look at broader reforms so that executives are compensated for sound risk management and rewarded for growth measured over years, not just days or weeks.

We all have to pull together and take our share of responsibility. That's true here in Washington; that's true on Wall Street. The American people are carrying a huge burden as a result of this economic crisis, bearing the brunt of its effects as well as the cost of extraordinary measures we're taking to address them. The American people expect and demand that we pursue policies that reflect the reality of this crisis and that will prevent these kinds of crises from occurring again in the future.

Thank you very much.

NOTE: The President spoke at 11:15 a.m. in the Grand Foyer at the White House. In his remarks, he referred to Secretary of the Treasury Timothy F. Geithner.

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